



2001 Annual Report on the United States Government



Nick Smith, U.S. Representative
Seventh District of Michigan

Please let me know your recommendations or if I can assist you in anyway. Here is how to contact me (Please note: mail is still not being delivered to my Washington office. It is best to contact me by phone, fax, email, or through my district offices):

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Statement of Revenues and Expenses

Revenues

| | <i>Fiscal Year</i> ¹ | | <i>% of Gross 2001</i> |
|--|---------------------------------|-----------------------------|------------------------|
| | <i>2000</i> | <i>2001</i> | |
| Individual income taxes | \$ 1,004,461,000,000 | \$ 1,032,525,000,000 | 42 % |
| Social insurance ² | 652,852,000,000 | 693,966,000,000 | 28 % |
| User fees, earmarked taxes and receipts ³ | 395,050,000,000 | 414,830,000,000 | 17 % |
| Corporation taxes | 207,288,000,000 | 151,075,000,000 | 6 % |
| Excise taxes and customs duties | 88,779,000,000 | 85,848,000,000 | 4 % |
| Miscellaneous receipts | 42,669,000,000 | 36,576,000,000 | 2 % |
| Death taxes ⁴ | 29,010,000,000 | 28,400,000,000 | 1 % |
| Gross Revenues | \$ 2,420,109,000,000 | \$ 2,443,220,000,000 | |
| Less: Tax Rebates ⁵ | | (38,186,000,000) | |
| Net Revenues | \$ 2,420,109,000,000 | \$ 2,405,034,000,000 | |

Expenses

* indicates less than 1 %

| | | | |
|--|-----------------------------|-----------------------------|------|
| Social spending ⁶ | \$ 1,214,302,000,000 | \$ 1,287,695,000,000 | 57 % |
| Interest on national debt | 362,118,000,000 | 359,508,000,000 | 16 % |
| Military spending | 279,049,000,000 | 287,998,000,000 | 13 % |
| Administrative Agencies ⁷ | 194,417,000,000 | 198,808,000,000 | 9 % |
| Transportation | 51,140,000,000 | 57,177,000,000 | 3 % |
| State and foreign affairs ⁸ | 32,618,000,000 | 31,785,000,000 | 1 % |
| Environment, fish, wildlife, parks and interior ⁹ | 28,432,000,000 | 30,307,000,000 | 1 % |
| NASA | 13,443,000,000 | 14,094,000,000 | * |
| Judiciary | 4,134,000,000 | 4,455,000,000 | * |
| Emergency response to terrorism ¹⁰ | | 2,328,000,000 | * |
| Congress | 2,063,000,000 | 2,148,000,000 | * |
| The President | 1,478,000,000 | 1,564,000,000 | * |
| Total Expenses | \$ 2,183,194,000,000 | \$ 2,277,867,000,000 | |
| Surplus ¹¹ | \$ 236,915,000,000 | \$ 127,167,000,000 | |

Notes

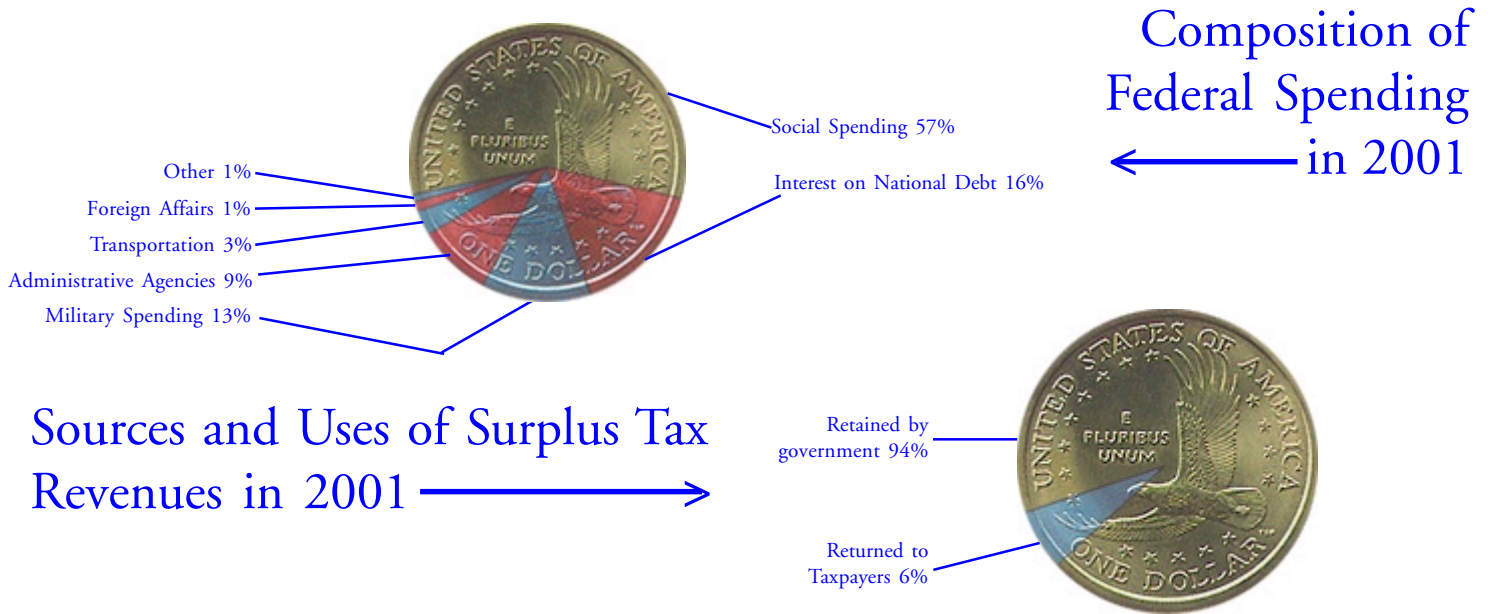
1. The U.S. Government fiscal year begins on October 1 and ends on September 30.
2. Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
3. Represents receipts of federal departments and agencies netted from gross outlays in Treasury reports (such as proprietary receipts from the public, receipts from off-budget federal entities, and intrabudgetary transactions) and total undistributed offsetting receipts (including interest received by federal trust funds and royalties on Outer Continental Shelf Lands).
4. Repealed effective January 1, 2010, by Public Law 107-16 signed by President Bush on June 7, 2001.
5. The Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, provided individual income tax rebates of \$300 per individual, \$500 per head of household, and \$600 per married couple.
6. Includes arts, education, labor, health and human services, low income and public housing, WIC, welfare block grants, food stamps and other agricultural programs, and federal retirement programs (including Social Security).
7. Includes SBA, GSA, DOE, GAO, Commerce, Corporation for Public Broadcasting, District of Columbia, EEOC, Export-Import Bank, FCC, FDIC, FEMA, FTC, Government Printing Office, Justice, Library of Congress, National Archives and Records Administration, National Credit Union Administration, and independent agencies.
8. Includes outlays for Department of State, Peace Corps, OPIC, AID, foreign military sales, and other international assistance programs.
9. Includes EPA, National Park Service, Fish and Wildlife Service, Bureau of Land Management, Forest Service, National Oceanic and Atmospheric Administration, and major environmental programs of federal agencies.
10. Reflects outlays during the fiscal year ended September 30, 2001, for disaster relief and anti-terrorism initiatives authorized by Public Law 107-38 signed by President Bush on September 18, 2001.
11. The excess of Social Security taxes over outlays for Social Security was \$152 billion in 2000 and \$163 billion in 2001. Exclusion of Social Security taxes and benefit payments from revenues and expenses would result in a surplus of \$87 billion in 2000 and a deficit of \$33 billion in 2001.

Budget Outlook for 2002

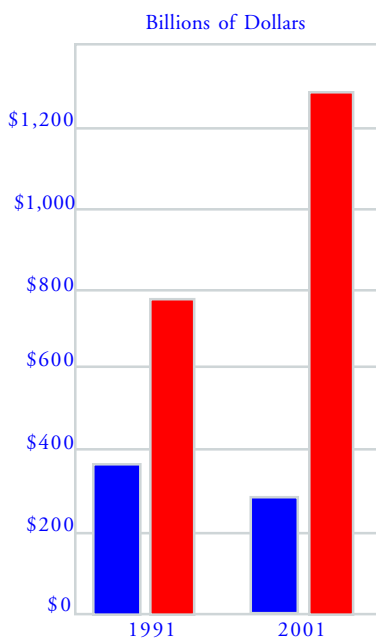
The federal government has run surpluses for the last four years. This record of fiscal balance, however, is in jeopardy. The latest budget projections, released at the end of August, showed a 2002 surplus of just \$2 billion, or just 0.1% of the annual budget. Most of the reduction in the surplus was caused by lower tax revenues from a slowing economy and increased spending.

The budget outlook further deteriorated with the attack on September 11. Economic growth likely slowed even more and the government must spend substantial sums to conduct the war. Thus, we can probably expect a substantial deficit under current policies unless the economy rebounds dramatically or unless Congress prioritizes to reduce less important spending.

I have opposed a number of appropriations bills and other costly legislation because I feel that they spend too much. Congress must recognize our perilous budget situation and begin to act accordingly.



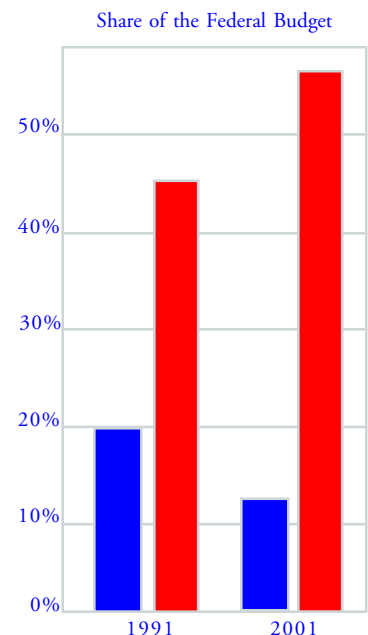
Defense and Social Spending as a Share of the Budget



Since the end of the Gulf War in 1991, annual defense spending has fallen by \$61.8 billion without any adjustment for inflation. As a result, defense spending has shrunk from 20% to 13% of the total federal budget - compared to its 50% share of the budget during the Kennedy Administration.

Over the same periods, social spending has grown faster than the U.S. economy, taking an expanding share of the budget. From 1991 to 2001, it rose from 45% of the budget to 57%.

Emergency appropriations after the attacks on the World Trade Center and Pentagon had only a minimal effect on these statistics. These budget changes will be more fully reflected in fiscal year 2002.



■ Defense ■ Social



Congress of the United States
House of Representatives
Washington, DC 20515-2207

January 2002

Dear Citizen and Taxpayer:

Our nation's course was altered on September 11. Terrorism is a challenge that we must and will overcome. As a member of the House International Relations Committee, I am working with my colleagues to ensure that America secures victory over terror wherever it may lie.

During this time of conflict, we must build our strength. This means supporting our defense including homeland security. It means extra emphasis on education and stopping illegal immigration. It also means strengthening our economy by stimulating growth, restoring confidence, and putting Americans back to work.

Enclosed in this report to you is an update on the financial position of the federal government. Though we have run a series of historic budget surpluses, the outlook for 2002 is less optimistic. The economic slowdown is reducing tax collections while Congress continues to spend as if nothing has changed.

I will continue to work to prioritize government programs in order to prevent overspending and secure a balanced budget. I hope you find this report useful. May you have the best possible new year.

Sincerely,

Nick Smith
Member of Congress



Congress of the United States
House of Representatives
Washington, D.C. 20515-2207

M.C.
PRSRT STD.

Postal Customer
Michigan - 7th District

Annual Report to Taxpayers

This mailing was prepared, published and mailed at taxpayer expense.